



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

June 21, 2006

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Mills County, Iowa.

The County had local tax revenue of \$17,458,380 for the year ended June 30, 2005, which included \$764,182 in tax credits from the state. The County forwarded \$11,842,853 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,615,527 of the local tax revenue to finance County operations, a 13 percent increase over the prior year. Other revenues included charges for service of \$1,015,230, operating grants, contributions and restricted interest of \$3,517,534, capital grants, contributions and restricted interest of \$1,966,949, unrestricted investment earnings of \$82,094, local option sales and services tax of \$341,655 and other general revenues of \$259,278.

Expenses for County operations totaled \$9,824,968, a 2 percent decrease from the prior year. Expenses included \$3,301,163 for roads and transportation, \$1,841,886 for public safety and legal services and \$1,532,893 for physical health and social services.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###



**MILLS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2005**

Table of Contents

			Page
Officials			3
Independent Auditor’s Report			5-6
Management’s Discussion and Analysis			7-14
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statements:			
Statement of Net Assets	A		16
Statement of Activities	B		17
Governmental Fund Financial Statements:			
Balance Sheet	C		18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D		21
Statement of Revenues, Expenditures and Changes in Fund Balances	E		22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F		24
Fiduciary Fund Financial Statement:			
Statement of Fiduciary Assets and Liabilities – Agency Funds	G		25
Notes to Financial Statements			26-38
Required Supplementary Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds			40-41
Budget to GAAP Reconciliation			42
Notes to Required Supplementary Information – Budgetary Reporting			43
Other Supplementary Information:	<u>Schedule</u>		
Nonmajor Special Revenue Funds:			
Combining Balance Sheet	1		46-47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2		48-49
Agency Funds:			
Combining Schedule of Fiduciary Assets and Liabilities	3		50-51
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4		52-53
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5		54
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>			55-56
Schedule of Findings			57-64
Staff			65

**Mills County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Don Brantz	Board of Supervisors	Jan 2005
Naomi Christensen	Board of Supervisors	Jan 2005
Richard Crouch	Board of Supervisors	Jan 2007
Carol Robertson	County Auditor	Jan 2005
Janette Blackburn	County Treasurer	Jan 2007
Roberta Dashner	County Recorder	Jan 2007
Mack G. Taylor	County Sheriff	Jan 2005
Marci Prier	County Attorney	Jan 2007
Christina Govig	County Assessor	Jan 2010
(After January 2005)		
Richard Crouch	Board of Supervisors	Jan 2007
Joseph P. Blankenship	Board of Supervisors	Jan 2009
Ronald E. Kohn	Board of Supervisors	Jan 2009
Carol Robertson	County Auditor	Jan 2009
Janette Blackburn	County Treasurer	Jan 2007
Roberta Dashner	County Recorder	Jan 2007
Mack G. Taylor	County Sheriff	Jan 2009
Marci Prier	County Attorney	Jan 2007
Christina Govig	County Assessor	Jan 2010

**Mills County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Mills County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mills County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mills County at June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2006 on our consideration of Mills County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the omission of general fixed assets. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2002 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the effects of the omission of general fixed assets and the omission of the materials and supplies inventories pertaining primarily to the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 13, 2006

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Mills County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005, along with comparative data for the year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- Mills County's governmental activities revenues were \$12.1 million for fiscal year 2004 (FY04) and \$12.8 million for fiscal year 2005 (FY05). The local option sales and services tax and the County's Interstate 29/Highway 34 urban renewal revenue decreased from \$542,151 in FY 2004 to \$493,548 in FY 2005.
- Mills County's governmental activities expenses decreased overall 1.9%, or approximately \$194,000, from FY04 to FY05. Public safety and legal services, physical health and social services, roads and transportation expenses decreased while expenses for mental health, county environment and education, government services to residents and administration increased.
- The County's net assets increased 29.4%, or approximately \$2,973,000 from June 30, 2004 to June 30, 2005, due primarily to increases in infrastructure.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mills County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mills County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mills County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

## **REPORTING THE COUNTY AS A WHOLE:**

### *The Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents and administration. Property tax and state and federal grants finance most of these activities.

## **REPORTING THE COUNTY BY FUNDS:**

### *The Fund Financial Statements*

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County establishes other funds to help it control and manage money for particular purposes.

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The financial statement required for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

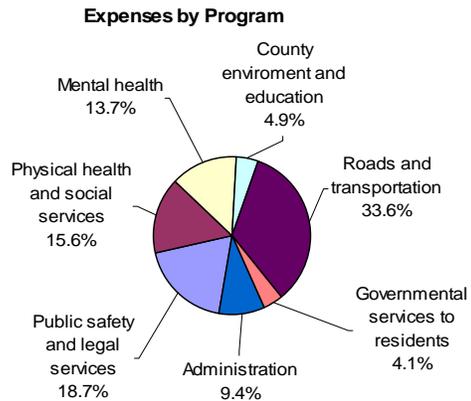
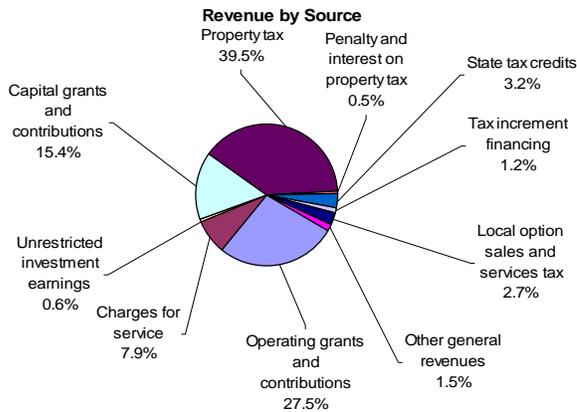
As noted earlier, net assets may serve over time as a useful indicator of financial position. Mills County's net assets for FY05 totaled \$13.1 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	\$ 12,392,496	11,606,708
Capital assets	7,259,173	4,775,093
Total assets	<u>19,651,669</u>	<u>16,381,801</u>
Long-term liabilities	505,282	520,973
Other liabilities	6,047,320	5,735,060
Total liabilities	<u>6,552,602</u>	<u>6,256,033</u>
Net assets:		
Invested in capital assets, net of related debt	7,218,521	4,733,194
Restricted	4,473,295	4,766,291
Unrestricted	1,407,251	626,283
Total net assets	<u>\$ 13,099,067</u>	<u>10,125,768</u>

The largest portion of the County's net assets are invested in capital assets (e.g. land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, are \$1,407,251, which was an increase of approximately \$781,000, or 124.7%, over June 30, 2004.

**Changes in Net Assets of Governmental Activities**

	June 30,	
	2005	2004
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,015,230	965,181
Operating grants and contributions	3,517,534	3,616,603
Capital grants and contributions	1,966,949	1,756,560
<b>General revenues:</b>		
Property tax	5,056,412	4,699,729
Penalty and interest on property tax	66,097	74,422
State tax credits	407,222	206,391
Tax increment financing	151,893	81,668
Local option sales and services tax	341,655	460,483
Grants and contributions not restricted	-	71,975
Unrestricted investment earnings	82,094	61,748
Other general revenues	193,181	114,398
<b>Total revenues</b>	<b>12,798,267</b>	<b>12,109,158</b>
<b>Program expenses:</b>		
Public safety and legal services	1,841,886	1,888,189
Physical health and social services	1,532,893	1,538,241
Mental health	1,345,167	1,256,362
County environment and education	477,264	423,789
Roads and transportation	3,301,163	3,676,442
Governmental services to residents	405,505	401,516
Administration	921,090	834,499
<b>Total expenses</b>	<b>9,824,968</b>	<b>10,019,038</b>
<b>Increase in net assets</b>	<b>2,973,299</b>	<b>2,090,120</b>
<b>Net assets beginning of year, as restated</b>	<b>10,125,768</b>	<b>8,035,648</b>
<b>Net assets end of year</b>	<b>\$ 13,099,067</b>	<b>10,125,768</b>



Mills County increased the property tax rates by \$.11 per \$1,000 of taxable valuation for the rural services levy and by \$1.41 per \$1,000 of taxable valuation for the county-wide levy in FY05. The County followed proper procedures in FY05 to increase the \$3.50 maximum general basic levy rate per \$1,000 of taxable valuation to \$4.65 per \$1,000 of taxable valuation. The general supplemental levy rate decreased \$.16 per \$1,000 of taxable valuation from FY04 to FY05. The mental health levy rate increased \$.08 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation decreased by \$40,008,066 and the rural assessed property taxable valuation decreased \$39,217,603 from FY04 to FY05. Due to the decreases in valuation, the County felt it was necessary to exceed the general basic levy to provide the services the County offers and not use all of its reserves.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Mills County completed the year, its governmental funds reported a combined fund balance of \$6.0 million, an increase of \$.8 million above last year's total of \$5.2 million.

The General Fund, the operating fund for Mills County, ended FY05 with a balance of \$1,875,709. This was an increase from the FY04 ending balance of \$1,071,325. Some of the increase in revenues can be attributed to increased property tax collections.

Mills County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. Fiscal year 2005 ended with a \$267,259 fund balance, whereas fiscal year 2004 ended with a balance of \$369,579. Mills County levied the maximum allowable rate. The FY05 Mental Health Fund levy rate was \$1.16213 per \$1,000 of taxable valuation and the FY04 levy rate was \$1.07997 per \$1,000 of taxable valuation.

The Rural Services Fund ended FY05 with a \$109,208 balance compared to the FY04 ending fund balance of \$116,330. Property tax revenue for the Rural Services Fund decreased \$67,638 from FY04 to FY05. Mills County increased the levy rate from \$2.80058 per \$1,000 of taxable valuation in FY04 to \$2.91367 per \$1,000 of taxable valuation in FY05.

The Secondary Roads Fund ended FY05 with a \$3,200,754 fund balance compared to the FY04 ending fund balance of \$3,129,279. The Secondary Roads Fund received the rest of the transfer of jurisdiction dollars from the State, there was an increase in tax increment financing revenues and two businesses reimbursed the County to offset the cost of putting in a road to the power plant. In FY05, Mills County's Secondary Roads department purchased several pieces of road equipment. There was a mild winter in FY05 so it was not necessary to pay a lot of overtime to employees for snow removal, and not as much sand and salt was needed as in the prior year. The Secondary Roads department continued construction of the administration and training center facility. Some projects on the Secondary Roads Fund schedule were not finished and overlapped into the next fiscal year.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Mills County amended its budget once in March 2005 to accommodate increased participation by the County toward employee health insurance premiums, to add a part-time custodial position and to amend for some grants that were received and needed to be expended, as well as additional transfer of jurisdiction funds from the State.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, Mills County had approximately \$7.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This year's major additions included \$2.1 million for infrastructure, \$291,191 for the administration and training building, \$186,350 for a road grader, two tandem dump trucks at \$79,585 each, and two vehicles for the Mills County Sheriff's office totaling \$56,150.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2005	2004
Land	\$ 1,684,291	1,625,291
Construction in progress	2,570,274	800,163
Buildings	633,082	673,126
Improvements other than buildings	67,822	72,666
Equipment and vehicles	1,609,008	1,546,186
Infrastructure, other	694,696	57,661
Total	\$ 7,259,173	4,775,093

The County had depreciation expense of \$432,347 in FY05 and total accumulated depreciation of \$3,423,067 at June 30, 2005.

The County's fiscal year 2005 capital projects budget included \$1,000,000 for projects, principally for Secondary Roads Fund projects. More detailed information about the County's capital assets is presented in Note 4 to financial statements.

### Long-Term Debt

At June 30, 2005, Mills County had \$113,113 in urban renewal tax increment revenue bond debt and \$40,652 in installment purchase agreements outstanding.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2005	2004
Urban renewal tax increment revenue bond	\$ 113,113	128,684
Installment purchase agreements	40,652	59,669
Total	\$ 153,765	188,353

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mills County's outstanding general obligation debt is significantly below its constitutional debt limit of \$40.2 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various County activities. One of those factors is the economy.

Mills County has been very fortunate to see continual growth in the local option sales and services tax proceeds. The Mills County Board of Supervisors set aside 40% of local option sales tax dollars toward community betterment, 40% towards property tax relief and 20% for infrastructure. Mills County contributes a specific dollar amount to each City in the County for community betterment of their cities, with the stipulation they will return one half of the proceeds to the City of Glenwood in their respective names to assist with the building and operations of the Mills County Recreation Center. A \$150,000 Urban Renewal Tax Increment Revenue Bond was sold in FY02 along with a development agreement signed in FY03 to make economic development tax increment payments to the bank on behalf of the developer, up to \$180,000, for construction of a racetrack and waterline for the Mid America Motorplex related to the Urban Renewal Interstate 29/Highway 34 area. As of June 30, 2005, a cumulative total of \$35,505 for principal and \$28,980 for interest was paid to the bank on behalf of the developer. Mills County also has a development agreement for \$65,000 for waterline improvements. As of June 30, 2005, \$40,663 has been paid to the developer.

Mills County has seen a lot of growth in real estate developments within the County over the last several years. Another urban renewal area will be set aside in Oak Township, which will be certifying debt to Mills County by December 1, 2006. This area will assist the developer in putting in sewers for the homes in his development which will also have city water. Another development in Oak Township called Lake Ohana is scheduled to have over 300 homes as well as lakes and a commercial development. On the commercial development a place has been set aside for Oak Township fire department. This development will be hooked up to Glenwood Municipal Utilities and have City water available. The County continues to apply for grants for the unincorporated area of Mineola to assist them with public sewer as well. Mills County began the process of organizing a planning and zoning commission which has seven members who began writing a zoning ordinance for Mills County in June, 2005 and hopes to have a zoning ordinance in place in FY07.

Mills County formed a committee with two neighboring counties to consider the feasibility of a regional jail facility. The County continues to incur expenditures related to housing prisoners out of the County because of the very antiquated facility which the County has outgrown. Mills, Fremont and Montgomery County officials feel it would be less of a burden on the taxpayers of their prospective counties to spread the operating and building costs among the three counties.

A goal for Mills County is to attract more commercial and industrial businesses to assist with taxable valuation and in order for this to happen, Mills County will need to take steps to assist Glenwood/Mills County Economic Development Foundation, Inc. in providing infrastructure of sewer and water connections for the Interstate 29/Highway 34 Urban renewal area, which may result in incurring additional debt.

Mills County will need to purchase new voting technology with part or all of the expenses to be reimbursed by State and Federal Help America Vote Assistance funds.

Mills County will continually look for ways to keep expenditures down as much as possible and may continue to look at ways to take some of the burden off of the general basic levy by diverting programs in other areas where allowed by Code.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Mills County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Robertson by email at [crobertson@millscoia.us](mailto:crobertson@millscoia.us) or by mail at the Mills County Auditor's Office, 418 Sharp Street, Glenwood, Iowa 51534 or by telephone at (712) 527-3146.

## **Basic Financial Statements**

**Exhibit A**

Mills County  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,288,631
Receivables:	
Property tax:	
Delinquent	22,557
Succeeding year	5,276,000
Interest and penalty on property tax	50,807
Accounts	87,866
Accrued interest	6,242
Due from other governments	1,222,599
Inventories	401,211
Prepaid insurance	36,583
Capital assets - nondepreciable	4,254,565
Capital assets - depreciable (net)	3,004,608
	<u>19,651,669</u>
<b>Total assets</b>	<u>19,651,669</u>
<b>Liabilities</b>	
Accounts payable	351,524
Salaries and benefits payable	213,363
Due to other governments	206,433
Deferred revenue:	
Succeeding year property tax	5,276,000
Long-term liabilities:	
Portion due or payable within one year:	
Urban renewal tax increment revenue bond	70,500
Installment purchase agreements	20,026
Compensated absences	175,698
Portion due or payable after one year:	
Urban renewal tax increment revenue bond	42,613
Installment purchase agreements	20,626
Compensated absences	175,819
	<u>6,552,602</u>
<b>Total liabilities</b>	<u>6,552,602</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	7,218,521
Restricted for:	
Supplemental levy purposes	522,424
Mental health purposes	276,850
Secondary roads purposes	3,242,913
Other purposes	431,108
Unrestricted	1,407,251
	<u>13,099,067</u>
<b>Total net assets</b>	<u>\$ 13,099,067</u>

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,841,886	219,702	50,917	-	(1,571,267)
Physical health and social services	1,532,893	411,069	508,704	-	(613,120)
Mental health	1,345,167	-	647,231	-	(697,936)
County environment and education	477,264	11,522	11,980	-	(453,762)
Roads and transportation	3,301,163	82,496	2,153,544	1,966,949	901,826
Governmental services to residents	405,505	282,253	266	-	(122,986)
Administration	921,090	8,188	144,892	-	(768,010)
<b>Total</b>	<b>\$ 9,824,968</b>	<b>1,015,230</b>	<b>3,517,534</b>	<b>1,966,949</b>	<b>(3,325,255)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					5,056,412
Penalty and interest on property tax					66,097
State tax credits					407,222
Tax increment financing					151,893
Local option sales and services tax					341,655
Unrestricted investment earnings					82,094
Gain on sale of capital assets					71,454
Miscellaneous					121,727
<b>Total general revenues</b>					<b>6,298,554</b>
Change in net assets					2,973,299
Net assets beginning of year					10,125,768
Net assets end of year					<b>\$ 13,099,067</b>

See notes to financial statements.

Mills County  
Balance Sheet  
Governmental Funds

June 30, 2005

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 1,887,054	472,598	119,228
Receivables:			
Property tax:			
Delinquent	16,500	2,804	3,253
Succeeding year	3,427,000	582,000	1,100,000
Interest and penalty on property tax	50,807	-	-
Accounts	53,428	31,002	250
Accrued interest	6,242	-	-
Due from other governments	103,723	-	2,279
Inventories	-	-	-
Prepaid insurance	36,583	-	-
	<u>\$ 5,581,337</u>	<u>1,088,404</u>	<u>1,225,010</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 52,988	31,206	3,865
Salaries and benefits payable	133,863	-	7,580
Due to other governments	4,004	198,348	1,496
Deferred revenue:			
Succeeding year property tax	3,427,000	582,000	1,100,000
Other	87,773	9,591	2,861
Total liabilities	<u>3,705,628</u>	<u>821,145</u>	<u>1,115,802</u>
Fund balances:			
Reserved for supplemental levy purposes	538,240	-	-
Unreserved, reported in:			
General fund	1,337,469	-	-
Special revenue funds	-	267,259	109,208
Total fund balances	<u>1,875,709</u>	<u>267,259</u>	<u>109,208</u>
	<u>\$ 5,581,337</u>	<u>1,088,404</u>	<u>1,225,010</u>

See notes to financial statements.

Revenue		
Secondary		Total
Roads	Nonmajor	
2,245,718	564,033	5,288,631
-	-	22,557
-	167,000	5,276,000
-	-	50,807
3,186	-	87,866
-	-	6,242
1,057,690	58,907	1,222,599
401,211	-	401,211
-	-	36,583
<u>3,707,805</u>	<u>789,940</u>	<u>12,392,496</u>
188,284	75,181	351,524
70,967	953	213,363
-	2,585	206,433
-	167,000	5,276,000
247,800	3,850	351,875
<u>507,051</u>	<u>249,569</u>	<u>6,399,195</u>
-	-	538,240
-	-	1,337,469
3,200,754	540,371	4,117,592
<u>3,200,754</u>	<u>540,371</u>	<u>5,993,301</u>
<u>3,707,805</u>	<u>789,940</u>	<u>12,392,496</u>

**Mills County**

Mills County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2005

**Total governmental fund balances (page 19)** \$ 5,993,301

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$10,682,240 and the accumulated depreciation is \$3,423,067. 7,259,173

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 351,875

Long-term liabilities, including urban renewal tax increment revenue bond, installment purchase agreements and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (505,282)

**Net assets of governmental activities (page 16)** \$ 13,099,067

See notes to financial statements.

Mills County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2005

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 3,433,635	582,784	1,045,158
Interest and penalty on property tax	67,080	-	-
Intergovernmental	1,479,469	627,813	42,258
Licenses and permits	9,259	-	40,950
Charges for service	373,559	-	-
Use of money and property	89,300	-	-
Miscellaneous	40,334	32,250	5,000
Total revenues	5,492,636	1,242,847	1,133,366
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,837,414	-	8,430
Physical health and social services	1,385,355	-	58,843
Mental health	-	1,345,167	-
County environment and education	196,817	-	41,995
Roads and transportation	-	-	40,000
Governmental services to residents	380,871	-	940
Administration	892,000	-	-
Capital projects	-	-	-
Total expenditures	4,692,457	1,345,167	150,208
Excess (deficiency) of revenues over (under) expenditures	800,179	(102,320)	983,158
<b>Other financing sources (uses):</b>			
Sale of capital assets	1,454	-	-
Operating transfers in	12,751	-	-
Operating transfers out	(10,000)	-	(990,280)
Total other financing sources (uses)	4,205	-	(990,280)
Net change in fund balances	804,384	(102,320)	(7,122)
Fund balances beginning of year	1,071,325	369,579	116,330
Fund balances end of year	\$ 1,875,709	267,259	109,208

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	493,548	5,555,125
-	-	67,080
2,793,832	43,441	4,986,813
2,816	-	53,025
19,545	18,701	411,805
-	2,153	91,453
548,657	-	626,241
3,364,850	557,843	11,791,542
-	-	1,845,844
-	86,680	1,530,878
-	-	1,345,167
-	242,067	480,879
3,668,503	-	3,708,503
-	21,302	403,113
-	-	892,000
757,372	-	757,372
4,425,875	350,049	10,963,756
(1,061,025)	207,794	827,786
-	-	1,454
1,132,500	9,000	1,154,251
-	(153,971)	(1,154,251)
1,132,500	(144,971)	1,454
71,475	62,823	829,240
3,129,279	477,548	5,164,061
3,200,754	540,371	5,993,301

Mills County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2005

**Net change in fund balances - Total governmental funds (page 23)** \$ 829,240

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,377,277	
Capital assets contributed by the Iowa Department of Transportation	1,469,150	
Depreciation expense	<u>(432,347)</u>	2,414,080

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale of capital assets as revenue. 70,000

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(5,164)	
Other	<u>(350,548)</u>	(355,712)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 34,588

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (18,897)

**Change in net assets of governmental activities (page 17)** \$ 2,973,299

See notes to financial statements.

Mills County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,702,657
Other County officials	53,109
Receivables:	
Property tax:	
Delinquent	65,140
Succeeding year	11,504,000
Accounts	57,298
Accrued interest	1,600
Succeeding year special assessments	153,009
Drainage assessments	47,951
Due from other governments	26,412
<b>Total assets</b>	<u>13,611,176</u>

**Liabilities**

Accounts payable	17,383
Salaries and benefits payable	17,256
Drainage warrants payable	537
Due to other governments	13,526,336
Trusts payable	38,122
Compensated absences	11,542
<b>Total liabilities</b>	<u>13,611,176</u>

<b>Net assets</b>	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

Mills County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mills County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Mills County Assessor's Conference Board, Mills County Emergency Management Commission, Mills County Communication Board, Mills County Joint E911 Service Board and Rolling Prairie Case Management Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Missouri River Authority, Hungry Canyons, Juvenile Detention Center, Adult Correctional Facility, Mills County Landfill, Resource Conservation and Development (Golden Hills), Metropolitan Area Planning Agency, Southwest Iowa Planning Council, West Central Development and Southwest Iowa Drug Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected. Succeeding year special assessments receivable represents assessments which are payable but not yet due.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column of the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$481,728 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Conservation Land Acquisition	\$ 12,751
Special Revenue: Conservation Land Acquisition	General	9,000
Secondary Roads	General	1,000
	Special Revenue: Rural Services	990,280
	Local Option Sales and Services Tax	141,220
Total		<u>\$ 1,154,251</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,625,291	59,000	-	1,684,291
Construction in progress	800,163	2,426,378	656,267	2,570,274
Total capital assets not being depreciated	2,425,454	2,485,378	656,267	4,254,565
Capital assets being depreciated:				
Buildings	1,235,248	-	-	1,235,248
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	4,161,606	431,049	214,079	4,378,576
Infrastructure	60,696	656,267	-	716,963
Total capital assets being depreciated	5,554,438	1,087,316	214,079	6,427,675
Less accumulated depreciation for:				
Buildings	562,122	40,044	-	602,166
Improvements other than buildings	24,222	4,844	-	29,066
Equipment and vehicles	2,615,420	368,227	214,079	2,769,568
Infrastructure	3,035	19,232	-	22,267
Total accumulated depreciation	3,204,799	432,347	214,079	3,423,067
Total capital assets being depreciated, net	2,349,639	654,969	-	3,004,608
Governmental activities capital assets, net	\$ 4,775,093	3,140,347	656,267	7,259,173

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 61,020
Physical health and social services		6,192
County environment and education		14,941
Roads and transportation		296,709
Governmental services to residents		3,347
Administration		50,138
Total depreciation expense - governmental activities		\$ 432,347

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 4,004
Special Revenue:		
Mental Health	Services	198,348
Rural Services	Services	1,496
Decategorization Grant	Services	2,585
		202,429
Total for governmental funds		\$ 206,433

Fund	Description	Amount
Agency:		
County Assessor	Collections	\$ 377,033
Schools		8,623,255
Community Colleges		398,986
Corporations		2,257,150
Auto License and Use Tax		315,305
Drainage Districts		945,785
All other		608,822
Total for agency funds		<u>\$ 13,526,336</u>

## (6) Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Urban Renewal			Total
	Tax Increment Revenue Bond	Installment Purchase Agreements	Compensated Absences	
Balance beginning of year	\$ 128,684	59,669	332,620	520,973
Increases	-	-	310,203	310,203
Decreases	15,571	19,017	291,306	325,894
Balance end of year	<u>\$ 113,113</u>	<u>40,652</u>	<u>351,517</u>	<u>505,282</u>
Due within one year	\$ 70,500	20,026	175,698	266,224

### Urban Renewal Tax Increment Revenue Bond

On May 9, 2002, the County issued a \$150,000 urban renewal tax increment revenue bond. The bond bears interest at 7 percent per annum with final maturity on June 1, 2022. The bond proceeds are to be used to defray a portion of the costs of carrying out an urban renewal project in the Highway 34/I-29 Urban Renewal Area of the County.

Principal and interest on this bond are to be paid as follows:

- (1) Interest on the principal sum remaining unpaid on this bond is payable on each June 1 and December 1 until the entire principal sum is repaid.
- (2) On each June 1 through and including June 1, 2022, to the extent there is any unpaid principal of this bond and there are proceeds remaining in the Urban Renewal Revenue Fund following each required payment of interest pursuant to (1) above, 50% of such proceeds is to be applied to the payment of principal of this bond.

The urban renewal tax increment revenue bond is payable solely from the income and proceeds of the Urban Renewal Revenue Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bond shall be expended only for purposes consistent with the plans of the County's urban renewal area. The bond is not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

During the year ended June 30, 2005, principal payments of \$15,571 and interest payments of \$5,429 were made by the County.

### Installment Purchase Agreements

The County has entered into installment purchase agreements to purchase computer equipment and related software and accessories with total historical costs of \$100,246. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.52% to 6.77% per annum, and the present value of net minimum payments under the agreements in effect at June 30, 2005:

Year ending June 30,	Computer Equipment
2006	\$ 22,350
2007	22,350
Total minimum installment payments	44,700
Less amount representing interest	(4,048)
Present value of net minimum installment payments	\$ 40,652

Payments under installation purchase agreements totaled \$20,059 during the year ended June 30, 2005, including interest expense of \$1,042.

#### **(7) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$234,364, \$226,086 and \$218,645, respectively, equal to the required contributions for each year.

#### **(8) Risk Management**

Mills County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$87,289.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Jointly Governed Organization**

Mills County participates in the Rolling Prairie Case Management Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2005:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$218,314
Contributions from governmental units		263,493
Miscellaneous		50
Total additions		<u>481,857</u>
Deductions:		
Salaries	\$ 145,585	
Benefits	55,347	
Case management:		
Chronic mental illness	9,989	
Mental retardation	219,365	
Technical assistance	5,058	
Office supplies	1,943	
Telephone	2,451	
Travel and training	21,585	
Dues	260	
Equipment repair	1,837	
Equipment	11,714	475,134
		<u>6,723</u>
Net		6,723
Balance beginning of year		<u>84,036</u>
Balance end of year		<u><u>\$ 90,759</u></u>

**(10) Development Agreements**

The County entered into two development agreements to assist in urban renewal projects. The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the construction of water line improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in fourteen semi-annual payments beginning on October 1, 2002. The total to be paid by the County under this agreement is not to exceed \$65,000. During the year ended June 30, 2005, \$11,025 was paid to the developer, for a cumulative total of \$40,663.

The County agreed to rebate 50% of the incremental tax paid by the developer to the bank on behalf of the developer in exchange for the construction of a 2.23 mile race track and a water line related to that development. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in thirty-nine semi-annual payments beginning on June 1, 2003. The total to be paid by the County under this agreement is not to exceed \$180,000 plus interest at 7% per annum. During the year ended June 30, 2005, principal payments of \$14,316 and interest payments of \$6,683 were paid to the bank on behalf of the developer, for a cumulative total of \$35,505 for principal and \$28,980 for interest.

**(11) Litigation**

The County is involved in several legal matters as of June 30, 2005. The probability of loss, if any, is undeterminable.

**Required Supplementary Information**

Mills County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2005

	Actual	Budgeted Original
Receipts:		
Property and other county tax	\$ 5,554,227	5,610,951
Interest and penalty on property tax	66,573	19,390
Intergovernmental	4,467,448	4,393,263
Licenses and permits	54,701	54,125
Charges for service	410,976	320,620
Use of money and property	92,116	52,794
Miscellaneous	620,900	59,355
Total receipts	<u>11,266,941</u>	<u>10,510,498</u>
Disbursements:		
Public safety and legal services	1,841,510	1,989,301
Physical health and social services	1,536,017	1,696,134
Mental health	1,328,898	1,421,352
County environment and education	405,226	629,532
Roads and transportation	3,826,638	4,351,850
Governmental services to residents	404,914	416,501
Administration	900,011	959,052
Capital projects	645,641	1,000,000
Total disbursements	<u>10,888,855</u>	<u>12,463,722</u>
Excess (deficiency) of receipts over (under) disbursements	378,086	(1,953,224)
Other financing resources, net	1,454	-
Excess (deficiency) of receipts and other financing sources over (under) disbursement and other financing uses	379,540	(1,953,224)
Balance beginning of year	4,909,091	2,797,660
Balance end of year	<u>\$ 5,288,631</u>	<u>844,436</u>

See accompanying independent auditor's report.

---

Amounts	Final to Actual Variance
Final	
5,671,803	(117,576)
19,390	47,183
4,554,791	(87,343)
54,125	576
320,620	90,356
52,794	39,322
1,250,613	(629,713)
<u>11,924,136</u>	<u>(657,195)</u>
2,018,015	176,505
1,719,199	183,182
1,421,352	92,454
629,532	224,306
4,815,349	988,711
442,174	37,260
1,138,057	238,046
1,000,000	354,359
<u>13,183,678</u>	<u>2,294,823</u>
(1,259,542)	1,637,628
-	1,454
(1,259,542)	1,639,082
<u>2,797,660</u>	<u>3,898,892</u>
<u>1,538,118</u>	<u>5,537,974</u>

Mills County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,266,941	524,601	11,791,542
Expenditures	10,888,855	74,901	10,963,756
Net	378,086	449,700	827,786
Other financing sources, net	1,454	-	1,454
Beginning fund balances	4,909,091	254,970	5,164,061
Ending fund balances	\$ 5,288,631	704,670	5,993,301

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$719,956. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated.

**Mills County**

**Other Supplementary Information**

Mills County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2005

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal Revenue
<b>Assets</b>				
Cash and pooled investments	\$ 407,752	16,669	6,393	75,195
Receivables:				
Property tax:				
Succeeding year	-	-	-	167,000
Due from other governments	55,057	-	-	-
<b>Total assets</b>	<b>\$ 462,809</b>	<b>16,669</b>	<b>6,393</b>	<b>242,195</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	-	75,092
Salaries and benefits payable	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	167,000
Other	-	-	-	-
Total liabilities	-	-	-	242,092
Fund equity:				
Unreserved fund balances	462,809	16,669	6,393	103
<b>Total liabilities and fund equity</b>	<b>\$ 462,809</b>	<b>16,669</b>	<b>6,393</b>	<b>242,195</b>

See accompanying independent auditor's report.

Decategorization Grant	Conservation Land Acquisition	County Recorder's		Total
		Electronic Transaction Fee		
12,894	29,258	15,872		564,033
-	-	-		167,000
3,850	-	-		58,907
16,744	29,258	15,872		789,940
89	-	-		75,181
953	-	-		953
2,585	-	-		2,585
-	-	-		167,000
3,850	-	-		3,850
7,477	-	-		249,569
9,267	29,258	15,872		540,371
16,744	29,258	15,872		789,940

Mills County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal Revenue
Revenues:				
Property and other county tax	\$ 341,655	-	-	151,893
Intergovernmental	-	10,093	-	-
Charges for service	-	-	4,505	-
Use of money and property	-	82	25	-
Total revenues	341,655	10,175	4,530	151,893
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	99,165	3,760	-	139,142
Governmental services to residents	-	-	-	-
Total expenditures	99,165	3,760	-	139,142
Excess (deficiency) of revenues over (under) expenditures	242,490	6,415	4,530	12,751
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(141,220)	-	-	-
Total other financing sources (uses)	(141,220)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	101,270	6,415	4,530	12,751
Fund balances beginning of year	361,539	10,254	1,863	(12,648)
Fund balances end of year	\$ 462,809	16,669	6,393	103

See accompanying independent auditor's report.

Decategorization Grant	Conservation Land Acquisition	County Recorder's		Total
		Electronic Transaction Fee		
-	-	-	-	493,548
33,348	-	-	-	43,441
-	-	14,196	-	18,701
-	1,805	241	-	2,153
33,348	1,805	14,437	-	557,843
86,680	-	-	-	86,680
-	-	-	-	242,067
-	-	21,302	-	21,302
86,680	-	21,302	-	350,049
(53,332)	1,805	(6,865)	-	207,794
-	9,000	-	-	9,000
-	(12,751)	-	-	(153,971)
-	(3,751)	-	-	(144,971)
(53,332)	(1,946)	(6,865)	-	62,823
62,599	31,204	22,737	-	477,548
9,267	29,258	15,872	-	540,371

Mills County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,518	112,474	182,506	8,111
Other County officials	53,109	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	552	1,310	42,749	1,875
Succeeding year	-	115,000	272,000	8,398,000	389,000
Accounts	237	-	271	-	-
Accrued interest	-	-	-	-	-
Succeeding year special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 53,346</b>	<b>118,070</b>	<b>386,055</b>	<b>8,623,255</b>	<b>398,986</b>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ -	-	697	-	-
Salaries and benefits payable	-	-	5,827	-	-
Drainage warrants payable	-	-	-	-	-
Due to other governments	15,224	118,070	377,033	8,623,255	398,986
Trusts payable	38,122	-	-	-	-
Compensated absences	-	-	2,498	-	-
<b>Total liabilities</b>	<b>\$ 53,346</b>	<b>118,070</b>	<b>386,055</b>	<b>8,623,255</b>	<b>398,986</b>

See accompanying independent auditor's report.

Corpor- ations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
68,991	2,518	315,305	895,705	3,290	111,239	1,702,657
-	-	-	-	-	-	53,109
18,159	485	-	-	-	10	65,140
2,170,000	158,000	-	-	-	2,000	11,504,000
-	-	-	1,066	-	55,724	57,298
-	-	-	1,600	-	-	1,600
-	-	-	-	153,009	-	153,009
-	-	-	47,951	-	-	47,951
-	-	-	-	-	26,412	26,412
2,257,150	161,003	315,305	946,322	156,299	195,385	13,611,176
-	-	-	-	-	16,686	17,383
-	-	-	-	-	11,429	17,256
-	-	-	537	-	-	537
2,257,150	161,003	315,305	945,785	156,299	158,226	13,526,336
-	-	-	-	-	-	38,122
-	-	-	-	-	9,044	11,542
2,257,150	161,003	315,305	946,322	156,299	195,385	13,611,176

Mills County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 17,480	116,416	343,283	8,301,386	375,988
Additions:					
Property and other county tax	-	115,579	273,117	8,422,605	391,093
E911 surcharge	-	-	-	-	-
State tax credits	-	3,892	8,833	266,247	12,534
Drivers license fees	-	-	-	-	-
Office fees and collections	325,795	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	234,975	-	-	-	-
Miscellaneous	-	-	4,053	-	-
Total additions	560,770	119,471	286,003	8,688,852	403,627
Deductions:					
Agency remittances:					
To other funds	176,189	-	-	-	-
To other governments	146,718	117,817	243,231	8,366,983	380,629
Trusts paid out	201,997	-	-	-	-
Total deductions	524,904	117,817	243,231	8,366,983	380,629
Balances end of year	\$ 53,346	118,070	386,055	8,623,255	398,986

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
2,189,623	151,884	298,525	935,825	183,474	138,876	13,052,760
2,121,669	159,831	-	-	-	1,999	11,485,893
-	-	-	-	-	85,657	85,657
60,100	5,286	-	-	-	68	356,960
-	-	95,158	-	-	-	95,158
-	-	-	-	-	971	326,766
-	-	-	-	-	4,537	4,537
-	-	3,592,128	-	-	17	3,592,145
-	-	-	93,189	14,605	1,911	109,705
-	-	-	-	-	304,367	539,342
-	-	-	54,515	-	586,934	645,502
2,181,769	165,117	3,687,286	147,704	14,605	986,461	17,241,665
-	-	211,459	-	-	-	387,648
2,114,242	155,998	3,459,047	137,744	41,780	625,600	15,789,789
-	-	-	-	-	304,352	506,349
2,114,242	155,998	3,670,506	137,744	41,780	929,952	16,683,786
2,257,150	161,003	315,305	945,785	156,299	195,385	13,610,639

**Schedule 5**

## Mills County

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
<b>Revenues:</b>					
Property and other county tax	\$ 5,555,125	5,234,856	4,429,938	3,966,896	3,623,625
Interest and penalty on property tax	67,080	64,520	58,961	64,648	52,016
Intergovernmental	4,986,813	4,956,091	5,080,119	4,681,784	4,703,172
Licenses and permits	53,025	41,557	22,341	22,679	20,707
Charges for service	411,805	423,211	377,699	331,182	320,568
Use of money and property	91,453	69,780	92,446	148,357	188,656
Miscellaneous	626,241	153,442	85,203	168,704	134,242
<b>Total</b>	<b>\$ 11,791,542</b>	<b>10,943,457</b>	<b>10,146,707</b>	<b>9,384,250</b>	<b>9,042,986</b>
<b>Expenditures:</b>					
Operating:					
Public safety and legal services	\$ 1,845,844	1,844,744	1,757,748	1,681,567	1,563,369
Physical health and social services	1,530,878	1,519,960	1,576,721	1,749,326	1,598,200
Mental health	1,345,167	1,256,362	1,291,039	1,301,181	1,317,824
County environment and education	480,879	446,864	394,689	463,264	242,103
Roads and transportation	3,708,503	3,659,910	3,023,542	3,248,746	3,060,082
Governmental services to residents	403,113	410,654	358,154	359,565	300,839
Administration	892,000	868,287	928,735	768,968	805,641
Capital projects	757,372	66,871	175,531	106,470	234,842
<b>Total</b>	<b>\$ 10,963,756</b>	<b>10,073,652</b>	<b>9,506,159</b>	<b>9,679,087</b>	<b>9,122,900</b>

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Mills County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 13, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mills County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mills County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mills County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

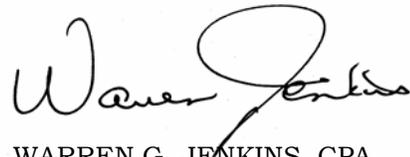
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mills County and other parties to whom Mills County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mills County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 13, 2006

Mills County

Schedule of Findings

Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Treasurer
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.	Treasurer and Recorder
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks. The checks and the supporting documentation are not reviewed for propriety prior to signing. After signing, the checks were not mailed without allowing them to return to individuals who prepared the checks or approved vouchers for payment. In addition, collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports.

Mills County

Schedule of Findings

Year ended June 30, 2005

Responses:

County Treasurer – I have tried to refrain from writing checks myself and let the other employees in the office write the checks so I can reconcile the end of the month.

County Recorder –

- (1) We all open mail at different times. Very small amounts of cash are received. Payments are in check form – vital statistics requests are paid with money orders quite often. All cash and checks and charges are balanced each day with computer entries, cash register, handwritten fee book and the cash listing and all employees participate in this daily procedure.
- (2) I, as the Recorder, feel responsible for the balancing of the Recorders entries with the bank credits and debits. The office employees are free to review the findings and if I have trouble with a balance sheet, we locate the answer together if need be.
- (3) The only checks written are with report support and mailed or delivered with supporting documents. There is no room for discrepancy in amounts of revenues coming into the office and being paid out.

Conclusions:

County Treasurer – Response accepted.

County Recorder – Responses acknowledged. Operating procedures should be reviewed to obtain maximum internal control possible under the circumstances, including the segregation of the items identified above by utilizing current personnel or other County employees.

- (B) Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- requiring weekly and yearly backups.
- ownership of in-house developed software and data.
- maintaining security upon termination of employment.
- time out or log off functions to protect unattended terminals.
- security over the information systems.

Also, the County does not have a written disaster recovery plan which includes the computer system and equipment.

Mills County

Schedule of Findings

Year ended June 30, 2005

Recommendation – The County’s written policies should address the above items in order to improve the County’s control over computer based systems. Also, a written disaster recovery plan should be developed which includes the computer system and equipment.

Response – The County will address these issues in the 2006 year. We are getting some assistance in writing this plan.

Conclusion – Response accepted.

- (C) Prepayment of Goods/Services – Warrants totaling \$860 were written at the end of the fiscal year for training conference registrations and dues for the Conservation Department, none of which were due until the following fiscal year. The prepayment of goods/services is not considered to be a best business practice.

Recommendation – Goods/services should generally be paid for when the goods have been received or the services have been rendered, or when payment becomes due.

Response – The \$860 was discussed with both the Conservation Director and the Conservation Board. The County was assured at the time that there was a savings by paying early. These items will be discussed again at their next board meeting.

Conclusion – Response accepted.

- (D) Local Board of Health – Nursing services billings, collections and receivables were not reconciled during the fiscal year and is not up-to-date.

Recommendation – Procedures should be established to reconcile nursing services billings, collections and receivables. The reconciliation should be reviewed by an independent person to monitor accounts receivable.

Response – Effective January 31, 2006, the Board of Health Agency Administrator will be responsible to bring the accounts receivable report up to current status through December 2005. From this time on, the report will be maintained on an ongoing monthly basis. A copy of this report will be provided to the Mills County Auditor on a monthly basis to verify timely completion.

Conclusion – Response accepted.

Mills County

Schedule of Findings

Year ended June 30, 2005

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted by function.

However, disbursements in one department exceeded the amount appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – This was an oversight that was missed. Careful consideration will be taken in the future so this does not happen again.

Conclusion – Response accepted.

- (3) Questionable Expenditures – We noted certain expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Meals and snacks for Board of Health, Board of Supervisors and County employees	Events held by the County Board of Health for community health prize and bioterrorism educational presentation	\$ 155

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Board of Supervisors (BOS) should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper documentation.

Response – The expenditures on October 10, 2004 to Omaha Fruit & Grocery and Tracey's Kitchen were to purchase supplies for an award ceremony for our Community Health Prize presented to Iowa Farm Bureau and the Iowa Hospital Association. Our "Step By Step to a Healthy Heart" program was selected for a \$6,000 award and a representative from each of these entities came to meet with us, our Board of Health (BOH) and the media to make this public presentation. The County believes this expenditure did serve the public good as it provided an opportunity for media and public attention to the Step By Step Program, a cardiovascular risk reduction program. This recognition allowed us to add an additional \$6,000 to ongoing programming for this project.

Mills County

Schedule of Findings

Year ended June 30, 2005

The expenditure to Two Sisters & Me on March 22, 2005 was to reimburse the cost of meals for our BOH, BOS and staff who were required to attend a bioterrorism awareness training presented on March 10, 2005 from 6-8:30 p.m. A copy of the training information sheet was provided. The County believes this expenditure did serve the public good as it was educational in nature and served to improve the knowledge level of all involved. This expenditure was reimbursed to the Board of Health agency through the bioterrorism awareness grant.

County funds are not used to purchase food for regular Board meetings, but the Board of Health occasionally needs to provide food at in-services held in-office for Board of Health and County staff. In the future, the Board of Health plans to notify the County Auditor and BOS in advance of any expenditure of this nature to assure all expenditures are found to be valid. Also, details regarding this type of expenditure will be provided on the voucher to clarify possible questions.

Conclusion – Response accepted.

- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Matt Urban, Public Health Director, owner of Urban Development and son-in-law of Sheriff Bowen	Well closing	\$ 200
Rhonda Letuli, daughter of General Relief/Veterans' Affairs Director	Cleaning service	400
Rick Allensworth, Conservation Director	Renting of part of a house on Conservation property at \$325/month (per bid)	2,275

Also, the Conservation Board has an agreement to rent the other part of the Conservation owned house to the Naturalist as a benefit of County employment which was required by the Conservation Board for security purposes.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions above with Rhonda Letuli and Matt Urban do not appear to represent a conflicts of interest since the total transactions were less that \$1,500 during the fiscal year and rent payments received from Rick Allensworth do not appear to represent conflicts of interest since they were entered into through a competitive bidding process.

Mills County

Schedule of Findings

Year ended June 30, 2005

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows:

Although most minutes of Board proceedings were published, minutes for two meetings were not published at all instead of being published within the time period required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure the minutes are published as required.

Response – We are not sure what happened to these minutes. They were in our Supervisor minute book and the person in our office responsible for publication of minutes was on vacation and we believe this to have been an error on our part in submitting them to the newspaper for publication. We will take better steps to ensure these publications are made in a timely fashion.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Emergency Management Fund – The County did not adopt, certify and submit a budget on or before February 28 to the Board of Supervisors as required by Chapter 29C.17 of the Code of Iowa.

Recommendation – A budget for the Emergency Management Commission should be adopted, certified and submitted to the Board of Supervisors on or before February 28 of each year as required by Chapter 29C.17 of the Code of Iowa.

Response – The Emergency Management Director is working more closely with the County Auditor to resolve this issue to make sure the budget is submitted, certified and adopted according to Chapter 29C.17 of the Code of Iowa on or before February 28.

Conclusion – Response accepted.

Mills County

Schedule of Findings

Year ended June 30, 2005

- (11) County Ordinances – The County Board of Supervisors last completed a compilation of County ordinances in October 1999. Chapter 331.302(9) of the Code of Iowa requires the Board to compile a code of ordinances containing all ordinances in effect at least once every five years.

Recommendation – The compilation of County ordinances should be prepared as required.

Response – The County Board of Supervisors are in the process of completing a zoning ordinance. When this ordinance is complete and passed, all County ordinances will be reviewed and changed if necessary to comply with the zoning ordinance. When this is complete the County will comply with Chapter 331.302(9) of the Code of Iowa.

Conclusion – Response accepted.

- (12) Economic Development – During the year ended June 30, 2005, the County made a \$5,000 payment to the Glenwood/Mills County Economic Development Foundation, Inc. This payment may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response – The payment made to the Glenwood/Mills County Economic Development Foundation, Inc. was used for brochures and other advertising to promote Mills County in an attempt to attract industry and create jobs in the County. The County will ask the Economic Development Board to document the public purpose served by economic development expenditures.

Conclusion – Response accepted.

- (13) Public Hearing for Public Improvements – Notice was not given and a public hearing was not held on the Secondary Roads Funds building project as required by Chapter 309.40 of the Code of Iowa.

Recommendation – Before entering into any contract for a public improvement where the cost exceeds the sum of \$50,000, the Board should set a date for a public hearing and give notice not less than four nor more than twenty days before the date of the hearing in accordance with Chapters 384.95 to 384.103 and 331.341 of the Code of Iowa. The County should review this for compliance on future projects.

Mills County

Schedule of Findings

Year ended June 30, 2005

Response – The Secondary Roads Fund building project was approved by the previous Board of Supervisors. We were not aware of the requirements of Chapter 309.40 of the Code of Iowa. In the future the County will comply with Chapters 309.40, 384.95 to 384.103 and 331.341 of the Code of Iowa.

Conclusion – Response accepted.

- (14) County Sheriff Reports – The County Sheriff did not provide the Board of Supervisors with financial reports of office fees collected during the fiscal year ended June 30, 2005.

Recommendation – The County Sheriff shall keep an accurate record of the fees collected and make at least a quarterly report of the fees collected to the Board as required by Chapter 331.655(3) of the Code of Iowa.

Response – The above said quarterly report shall be provided from this point on.

Conclusion – Response accepted.

- (15) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

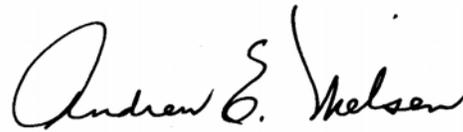
---

Mills County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Jeffrey L. Lenhart, Staff Auditor  
Nicole B. Tenges, CPA, Staff Auditor  
Carey L. Fraise, Assistant Auditor  
Nate H. Kalkwarf, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State